

The wind of change?

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After the national media announced that President Leonid Kuchma had accused the government of the failure to cure Ukraine's ailing economy, the whole community of home policy commentators remembered what seemed to become a tradition in recent years. As soon as it gets warm over here, the President initiates a shake-up of his Cabinet which usually results in the dismissal of the prime minister. Vitaly Masol, sacked in April 1995 for the failure to carry out Kuchma's "radical economic reform course" was followed by Yevhen Marchuk, dismissed for "building up his own image" in May 1996. In June 1997, Pavlo Lazarenko, who had repeatedly stated that he had been implementing the President's course, had to leave after the unprecedented splash of corruption and cronyism in the Ukrainian government attracted international attention.

After the failure of the "party of power" - overtly supported by the top officials of the executive branch and led by Prime Minister Valery Pustovoitenko himself - to obtain a convincing victory in the recent parliamentary election, a number of political analysts predict that Leonid Kuchma might be tempted to blame the current social and economic hardships on the government.

A couple of weeks ago, in an interview to a national daily, ex-prime minister Pavlo Lazarenko predicted that the Pustovoitenko government would be dismissed in about a month and a half, and that Valery Pustovoitenko would be made responsible for the deteriorating economic condition and for the rising public dissatisfaction with the executive branch. According to Lazarenko, his party Hromada agreed with seven influential parties represented in the new Verkhovna Rada to form a common bloc in order to elect "their" speaker and make changes to the Constitution so that to ensure that only the party or bloc victorious in the election would be able to form the Cabinet and appoint the prime minister.

According to presidential chief of staff Yevhen Kushnariov, the economic situation in the country is not that bad. "While in 1994 we had hyperinflation and decrease of production by 28%, today we have rather convincing evidence of economic stabilization," said he, traditionally promising "the beginning of economic growth". However, Leonid Kuchma has every reason to be dissatisfied with the most loyal of his prime ministers. In 1997, the aggregate credit debt of enterprises and organizations increased by 1.6 times. While in 1995 the proportion of loss-making enterprises was 12%, it increased to about 50% in 1997. The whole branches, including black metallurgy, the chemical and petrochemical industries, the light industry, the production of construction materials, machine-building and metal-processing. Contrary to the declared program of encouraging the "national manufacturer", production of consumer goods continues to decrease. In 1997, the budget deficit grew up from 4.3% to 6.7% of the GDP. Within the first quarter of 1998, the budget deficit exceeded the planned figure twice, and by the end of March it reached 1.4 billion hryvnias (about US\$ 640 million). The standards of living continue to deteriorate, and unemployment in some regions has reached 50%. The amount of unpaid salaries, wages and pensions continues to grow. After the IMF suspended the disbursement of the next standby loan due to the rapid increase of the budget deficit, there is practically no hope that overdue wages will remain unpaid, while the socioeconomic tension will grow to the boiling point.

As previous years have shown, it is not in the habit of President Kuchma to chastise himself for failures. Nowadays, encouraged by the fresh example of his Russian counterpart who abruptly dismissed top-ranking government officials and made clear that he wanted to govern the state, Kuchma may wish to demonstrate the power while simultaneously trying to appease the parliament. Therefore, analysts predict several possibilities:

- (1) Leonid Kuchma will keep his promise that "Valery Pustovoitenko will lead the government until the 1999 presidential election" because he will not want to lose the lever of power as strong as the loyal government in the pre-election period. If Pustovoitenko is dismissed, the new parliament will be unlikely to approve an obviously pro-Kuchma candidate.
- (2) According to the Constitution, it is the President who is responsible for the performance of his government. After the parliament approves the prime minister, nominated by the president, its influence on the executive branch becomes symbolic. Meanwhile, the President might allow his

opponents in the Rada to appoints "their own" prime minister. According to estimates, the budget deficit is likely to be doubled in 1999, the GDP is likely to drop by 3-4%, the stability of the national currency, hryvnya, will be undermined by the crisis, as well as by incredibly high interest rates of the state bonds, and foreign loans may be no longer available. Hence, since the socioeconomic situation in the country will continue to deteriorate, Kuchma will have a good reason to condemn the government, associated in public opinion with the left-wingers, for whatever problems might arise.

- (3) The figures reflecting the government's poor performance are so convincing that the parliament may feel obliged to pass a no-confidence vote to the government, thus, taking the responsibility and releasing the President of the trouble of making the major shake-up.
- (4) If the parliament does pass the no-confidence vote to the government, the President might prefer dissolving the parliament.

Whatever the outcome, the President will be able to use it to add some points to his re-election bid. Notwithstanding the fact that the parliamentary race was won under anti-presidential and anti-government slogans and that the new parliament is far more anti-Kuchma than the previous one, Leonid Kuchma appears to be optimistic about his re-election prospects. He already presented a new initiative which, in his advisers' view, is probably supposed to make voters forget his previous pledges and believe the new slogans. In mid-March, President's economic adviser Anatoly Halchynsky announced Leonid Kuchma's intention to propose a new program of socioeconomic development for 1999-2005. According to Halchynsky, the main provisions of Kuchma's 1994 economic policy program have been completed: "generally", as Halchynsky put it, the Ukrainian economy has been "partly liberalized" and "certain financial stabilization" has been achieved. Unlike the 1994 program, then praised as the "program of radical economic reforms" and used to create the image of the president as a devoted reformer, the new program under the working title of a "Concept of Economic Development Strategy" envisages a stronger control of the state and pledges to be aiming at "active social policy". The President intends to address the nation and the Verkhovna Rada with a speech on home and foreign policy situation in Ukraine, described by Anatoly Halchynsky as a "platform of political and economic cooperation, on May 4, 1998.

At a recent economic conference at the Administration, Kuchma gathered heads of ministers and departments to tell them that "our main task at this moment is the following: without breaking away from realities of life, [we should] rise over them and take a broader look at the economic problems and determine, on this basis, economic policy approaches for the next five, seven and ten years." In order to be able to formulate those approaches, according to the President, one should "start with giving an answer to these questions: where are we today, was the course, announced in 1994, a correct one, what has been done and what has not, and why not." "The most important is to draw the extremely concrete realities in strategic and tactical dimensions," said the President. From the context of the vague formula one might assume that the "concept based on real possibilities and objectives that we can and must meet" meant there would be no radical economic steps, no wrenching political decisions. Furthermore, the concept was supposed to "contribute to understanding and coordination of actions between the legislature and the executive branch". Taking into account that the numerically powerful Communist lobby announced its decision to seek the abolition of the presidency or, at least, impeaching Kuchma, the words about "understanding and coordination of actions" may mean the President will try to avoid any economic steps that are likely to cause strongly negative reaction of the left. Within the current month the government is supposed to submit a bill to the parliament aiming at reducing the planned 1998 budget deficit to 2.5% and correcting the expenditure articles. "All revenues should be directed only at ... social payments and urgent liquidation of the budget debts. I believe all other kinds of financing should be suspended until the payroll debts are cleared," said the President, as if confirming analysts' suspicion that the executive branch will engage in demonstrating concern about potential voters at the 1999 presidential election instead of investing funds and efforts into economic reforms.